CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper
Jennifer A. Maguire
Joe Angelo
Vijay Sammeta

SUBJECT: SEE BELOW

DATE: March 25, 2015

Approved ⟍ ᐧ ⟋⟍ _____ Date 4/3/15

SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR THE PURCHASE AND
IMPLEMENTATION OF HUMAN RESOURCES, PAYROLL,
TIMEKEEPING AND BUDGET SYSTEMS

RECOMMENDATION

Accept the report on the Request for Proposal ("RFP") for the purchase and implementation of
Human Resources (HR), Payroll, Timekeeping, and Budget systems and adoption of a resolution
authorizing the City Manager to negotiate an Agreement with CherryRoad Technologies, Inc.
(Morris Plains, NJ) for the purchase, implementation, training, hosting and maintenance and
support of Human Resources, Payroll, Timekeeping, and Budget systems for a term commencing
on or about July 1, 2015 and ending on or about September 30, 2021, with a maximum
compensation not-to-exceed $7,520,363 exclusive of any negotiated project contingency, subject
to the appropriation of funds.

OUTCOME

Upgrade the City's current Human Resources and Payroll Systems from PeopleSoft version 8.9
SP1 to Oracle/PeopleSoft version 9.2, and implement new Oracle/PeopleSoft systems for Budget
(Hyperion), Recruiting (Oracle/Taleo), and Timekeeping (PeopleSoft HCM). These new or
upgraded systems will allow the City to replace earlier versions that are no longer supported by
the manufacturer or beyond the useful life in meeting the needs of the City, and introduce new
state of the art recruiting and budgeting solutions. Given the interdependence of the human
resources, budget and financial management functions, the integrated systems will streamline
operations, significantly reduce the amount of time necessary to share information among
systems, and help ensure data integrity. The expanded capacity and better workflow processes
will also reduce the excessive amount of staff time necessary to perform various functions, such
as producing the annual budget; will assist departments in recruiting and managing their staff
resources; and will allow for more transparency and data analytics.

EXECUTIVE SUMMARY

This memorandum provides the City Council with a report on the RFP process for upgraded or new HR, Payroll, Timekeeping and Budget Systems. After a thorough and complete evaluation of responsive proposals from ten companies, staff recommends negotiating an agreement with CherryRoad Technologies for the purchase, implementation, ongoing hosting and maintenance and support services for a maximum compensation not-to-exceed $7,520,363. CherryRoad Technologies submitted the most advantageous proposal to replace aging systems that are no longer supported by the manufacturer and/or do not meet the changing business or technical needs of the organization.

This recommendation requests approval from Council to negotiate an agreement within the general business parameters as set forth in this memorandum. At the conclusion of negotiations in the second calendar quarter of 2015, staff will return to Council with the final agreement for approval along with approval of necessary budget actions to reallocate the funds into a single appropriation for project implementation.

BACKGROUND

Human Resources/Payroll

The City is currently utilizing Oracle/PeopleSoft's HR/Payroll System Version 8.9. The key functionality currently being provided by this application includes: Human Resources, Base Benefits, Benefits Administration, Benefits Billing, Payroll, ePay, eBenefits, eProfile, eDevelopment, eCompensation, Candidate Gateway and Talent Acquisition Manager. Oracle has extended support and patches for this software version for three years longer than the normal life cycle of five to eight years, resulting in increased maintenance fees to operate the application. Options available to the City are to either upgrade the current software to a later version or purchase a new solution.

Timekeeping

The City's current timekeeping system, Timecard Front End (TCFE), is in critical need of replacement. The system was written and implemented in 1999 using programming language that is no longer supported. Therefore, required enhancements such cross-browser compatibility and mobile support have not been implemented. As the City continues to upgrade its technical environment, incompatibilities will continue to increase due to TCFE's antiquated programming language. As a result, this critical system may experience operating issues or cease to operate completely.

Budgeting

The development of the annual operating and capital budgets is currently facilitated through the use of in-house Oracle forms based application and database. The Operating Budget System was

first developed in the 1980s and lacks the basic functionality of systems that are now available. The Capital Budget System was developed in the early 2000s and also lacks functionality and integration with other systems. With the existing budget systems, an excessive amount of staff resources throughout the City are required to produce the annual budget as the systems do not capture all of the budget data, do not have effective user interfaces, do not provide the necessary tools to manage the budget development process, and do not allow for the leveraging of data of budget information. Further, because the existing Operating Budget System has undergone a series of incremental revisions over more than a decade, the system architecture does not easily allow changes and there is a risk that the system will be unable to meet continually changing data and analytics requirements. These systems are obsolete and no longer meet the needs of the organization, and are costly to maintain. The replacement system must integrate with the new HR/Payroll system, support annual budget development, budget monitoring and budget document publishing, and have the flexibility to incorporate program and performance based budgeting or other best practices.

Initial Procurement Process

In 2012, the City issued a Request for Proposal (RFP) to establish if there were viable alternatives to upgrading its existing HR/Payroll systems, within the budget that had been established at that time. The RFP established that there was a credible level of interest from both companies offering viable Software as a Service (SaaS) solutions, as well as firms interested in performing payroll services that have historically been performed by City staff.

The City's objective was to be open to all technologies, including hosted or cloud solutions, as well as outsourcing some or all payroll and information technology support functions. Historically, the City has hosted its major applications in-house with all servers, hardware support, database licensing and administration owned and administered by the City. In recent years, the City has successfully implemented vendor hosted solutions to reduce the total cost of ownership. Additionally, with a hosted environment, the vendor will assume the technical elements of disaster recovery.

In 2012, the City also released a Request for Information (RFI) to learn about the current systems available for replacement of the Operating Budget System. Based on the responses and demonstrations of five systems, it was determined that there were products available that would meet the City's needs. The RFI also helped in estimating the cost of a new system and an estimated timeline for implementation.

Given that the replacement of both the HR/Payroll/Timekeeping and Budget systems were under consideration at the same time, staff issued an RFP that combined these requirements to determine if there was a viable option that could address all of these needs. The advantages of a combined system include seamless integration of data between these systems, ease of use for staff, and ease of system support and maintenance. A subsequent RFP was developed that allowed for any combination of upgrade, new or outsourced solutions to meet the City's objectives.

ANALYSIS

In April 2014, a RFP for Human Resources, Payroll, Timekeeping, and Budget Systems was issued through the City's e-procurement system. The RFP was not restricted to a particular technology or solution, allowing proposals for on-premise, managed hosting, cloud or outsourced solutions. A total of 120 companies viewed the RFP, and the following 13 proposals were received by the June 9, 2014 deadline:

- AspireHR (Dallas, TX)
- CherryRoad (Morris Plains, NJ)
- Ciber (GreenWood Village, CO)
- DLZP Group (Richmond, TX)
- Highstreet (GreenWood Village, CO)
- Infor (Rancho Cordova, CA)
- Kronos (Chelmsford, MA)
- NOVAtime (Diamond Bar, CA)
- NTT Data (Boston, MA)
- Sierra Systems / Sierra-Cedar (El Segundo, CA)
- Tyler Technologies (Yarmouth, ME)
- WFC Group (Chicago, Il)
- Workday (Pleasanton, CA)

The RFP evaluation process consisted of four phases with only the highest scoring proposals advancing to each successive phase. The evaluation criteria and respective weights for each phase are summarized in Table 1 below:

Table 1

Criteria	Phase 1	Weight by Phase Phase 2	Phase 3	Phase 4
Minimum Qualifications/Responsive Proposal	Pass/Fail			
Experience		40%	20%	15%
Technical Approach		50%	20%	20%
Oral Presentation / Product Demonstration			50%	20%
Cost				35%
Local Business Preference		5%	5%	5%
Small Business Preference		5%	5%	5%
TOTAL		100%	100%	100%

Evaluation Team: The proposals were evaluated by a seven-member team with representation from Finance, Information Technology, Human Resources, and Budget. Each team member independently evaluated and scored the proposals and oral presentations.

Minimum Qualifications/Responsive Proposals: Three proposals from Kronos, NOVAtime, and the WFC Group either did not meet Minimum Qualifications or were deemed non-responsive and were not considered for further evaluation.

Phase 2 Technical and Experience: At the conclusion of this evaluation phase, the highest scoring proposals from CherryRoad, Infor, NTT Data, Sierra-Cedar and Workday advanced to the demonstration phase of the evaluation process.

Phase 3 Oral Presentation/Demonstration: Proposers were required to introduce key members of their project team, follow detailed scripts demonstrating key aspects of their proposed software applications, and present their implementation and project management methodology. At the conclusion of this phase of the evaluation process, proposers CherryRoad and Sierra-Cedar were invited to submit cost proposals.

Phase 4 Cost (Cost of Ownership / Cost Realism): The objective of the cost phase was to capture the total cost of ownership to purchase, implement, operate and maintain the solutions for a period of five years after implementation. Additionally, cost realism was equally evaluated as part of the cost component to ensure that the proposed costs were not being artificially lowered in order to earn higher points. There were two rounds of cost proposals. After the initial round, it was determined that additional definition and clarification was necessary to ensure that both proposers were submitting comparable costs. The second round of cost proposals established a total cost of ownership from each proposer in the competitive range; $7,520,363 versus $7,189,872 for CherryRoad and Sierra-Cedar, respectively. While Sierra-Cedar's score for the cost of ownership was slightly higher due to their lower cost, they bid fewer implementation staff hours than CherryRoad, and did not present their understanding of the key risk factors associated with the project as well as CherryRoad. Therefore, CherryRoad earned a higher score for the cost realism component, resulting in a slightly higher overall score for Cost.

In January 2015, the two finalists were invited back to clarify all remaining questions that the City had regarding each proposer's solution and implementation methodology. The final scores are summarized in Table 2:

Table 2

Phase 4: Evaluation Category	Max Points	CherryRoad	Sierra-Cedar
Experience	15	13	13
Technical Capabilities	20	16	17
Oral Presentation / Product Demonstration	20	18	14
Cost (Cost of Ownership/Cost Realism)	35	31	30
Local Business Preference	5	0	0
Small Business Preference	5	0	0
Total	**100**	**78**	**74**

Protest Period: The RFP process included a ten-day protest period that commenced when Proposers received the City's Notice of Intended Award on February 3, 2015. No protests were received.

Local and Small Business Preference: In accordance with City policy, ten percent of the total evaluation points were reserved for local and small business preference. The preference was not a factor in this award.

Award Recommendation: Staff recommends award of contract to CherryRoad Technologies as the best value based on the evaluation criteria as set forth in the RFP. CherryRoad proposed upgrading the City's existing PeopleSoft version 8.9 to PeopleSoft HCM (Human Capital Management) version 9.2 and Taleo for the personnel administration, position management, employee hiring, employee self-service, benefits, payroll, and time and labor functions, and Oracle Hyperion for the budget function. With the exception of the recruiting application, Taleo, which is offered as a cloud service, the database and all applications will be hosted and managed by CherryRoad's hosting service.

CherryRoad has extensive experience working with public sector clients implementing similar solutions in environments comparable to the City of San José. . References were checked with the State of Vermont, City of Albuquerque, NM, and the State of Delaware Office of Pensions. CherryRoad was the integrator at each of these organizations and responsible for the delivery of PeopleSoft HCM systems, as well as time and labor and budget implementations similar in size and scope to the City's requirements. All of the reference checks were very positive

The estimated implementation timeline is 14 months from issuance of the notice to proceed. Over the next several months, staff will negotiate a final agreement with CherryRoad, and bring the agreement back to Council in the May/June timeframe for final review and approval. The final agreement will include a detailed statement of work listing all deliverables, project timeline, and compensation schedule. At that time necessary budget actions will be brought forward to create a single appropriation for project implementation.

Concerns raised by Sierra-Cedar: As stated above, the City did not receive any protests within the ten day protest period pursuant with City Policy and as stated in the RFP. Sierra Cedar requested and was provided a debriefing on February 18, 2015. During the debrief, City staff summarized the scoring at each evaluation phase of the RFP process, and the strengths and weaknesses of Sierra-Cedar's proposal as determined by the evaluation team. At the conclusion of the debrief, Sierra-Cedar requested a copy of CherryRoad's proposal.

On February 26th, the City received a letter from Sierra-Cedar raising concerns that two resources that were proposed as part of CherryRoad's Hyperion implementation team were represented as CherryRoad employees when they are, in fact, employees of a subcontractor consulting firm called the Imminent Group. The RFP requested that subcontractors may be used, but should be clearly identified. In addition, CherryRoad provided an extensive client list in their proposal, and Sierra-Cedar pointed out that several of the firms listed were clients of the Imminent Group and not CherryRoad. Sierra-Cedar's contention is that this material

misrepresentation of facts violates the RFP and City Policy and that CherryRoad's proposal
should be disqualified.

Notwithstanding the fact that Sierra-Cedar submitted their letter well outside the ten day protest
period per the rules of the RFP, staff reviewed their concern by reviewing the RFP, the City's
process integrity guidelines, CherryRoad's proposal, and CherryRoad was asked to respond to
the allegations. In summary, CherryRoad confirmed that two employees of the Imminent Group
were inadvertently represented as employees of CherryRoad. Their process when preparing
proposals is to take individual resumes and biographies from key members of the project team,
and include specific information on a standard template that they use in presenting key
information about that individual. One of the many qualifications included is how long a person
has been an employee, which was presented in their proposal as "Employee for X years". For
the two team members in question, their employment duration at their employer, the Imminent
Group" was listed in their proposal. CherryRoad acknowledged that they overlooked the City's
request that subcontractors should be separately identified.

Sierra-Cedar's claim that CherryRoad misrepresented their client list by listing Imminent Group
clients as their own; CherryRoad's proposal states that they work with "Resources with a close
Association with Oracle." CherryRoad does not state one way or the other who the vendor was.
It should be noted that in other sections of CherryRoad's proposal, CherryRoad does specifically
name itself as the vendor responsible for the implementations.

Based on the facts of the current procurement, the City's Procurement Officer analyzed whether
properly identifying the individuals association with CherryRoad would have a material impact
on CherryRoad's ability to fulfill its proposal. CherryRoad confirmed that the key individuals
affiliated with Imminent Group will in fact be assigned to implement the City's scope as
specified in the proposal. As additional assurance, the Administration also recommends
identifying these individuals as critical members of the implementation team in the Agreement.

Sierra-Cedar's letter and the City's response are attached to this memorandum.

EVALUATION AND FOLLOW-UP

As stated above, staff will return to Council with a final agreement for approval and execution in
the May/June, 2015 timeframe.

POLICY ALTERNATIVES

Alternative #1: Continue with our current systems and applications.

Pros: Staff is familiar with current systems. No major capital outlay would be required.

Cons: The current version of PeopleSoft HCM reached end of useful life in 2012. While the system is no loner supported or maintained by Oracle, the City must still pay the annual maintenance fee in order to purchase the required tax and regulatory updates at $50,000 per year, for a total cost of $472,000 per year. Continuing the current approach is not operationally advantageous to the City relative to the cost of purchasing a new system. In addition, the City's recruiting, timekeeping and budget applications are antiquated, no longer support the City's business environment, and in some situations (e.g. timekeeping and budget) are at significant risk of failure. Further, these systems require the City to retain antiquated equipment and skill sets, not easily found in the marketplace.

Reason for Not Recommending: The City's business and employees will be better supported with new state-of the art application. A fully integrated HR/Payroll/Budget system will enable more streamlined budget development and monitoring processes. In addition, several of the City's current mission critical applications have severely limited support from the manufacturer.

PUBLIC OUTREACH

This item will be posted on the City's website for the April 14, 2015, City Council agenda.

While the City Council is not approving the agreement and expenditure of funds with the recommendations contained in this memorandum, the Council is directing negotiations with the selected vendor which will lead to an ultimate recommendation of expenditure of approximately $7.5 million in City funds for the implementation and ongoing maintenance and support.

COORDINATION

This memorandum has been prepared by the Finance Department in coordination with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principles and City Service Area (CSA) Strategic Support Mission: To effectively develop, manage and safeguard the City's fiscal, physical, technological, and human resources to enable and enhance the delivery of City services and projects.

COST SUMMARY/IMPLICATIONS

The following outlines the elements of the agreement and other project-related costs. Necessary budget actions will be brought forward for City Council approval in conjunction with the approval of the agreement.

1. PROJECT IMPLEMENTATION COSTS:

Agreement Costs
HR/Payroll	$2,995,718
Budget	1,484,172
Subtotal	$4,479,890

City Staffing Costs
Finance/Human Resources	$578,000
Budget	525,000
Information Technology	436,000
Subtotal	$1,539,000

Consulting Services/Contingency
Project Manager/Project Contingency	$1,150,000

Total Project Implementation Costs **$7,168,890**

2. COST ELEMENTS OF AGREEMENT:
Initial purchase and implementation costs:
Database and Software Licenses	$500,900
Professional services	3,738,990
Hosting Services	240,000
Implementation Subtotal:	**$4,479,890**

[1]Ongoing Hosting, Maintenance & Support (years after go-live):
- Year 1	$599,193
- Year 2	599,193
- Year 3	604,573
- Year 4	611,159
- Year 5	626,355
Ongoing Hosting, Maintenance & Support Subtotal	**$3,040,473**

AGREEMENT NOT-TO-EXCEED TOTAL **$7,520,363**

3. CITY STAFFING/CITY PROJECT MANAGEMENT/CONTINGENCY COSTS

The Administration plans to reassign permanent positions to implement the new HCM and Budget applications, and temporary positions will backfill the staff assigned to the Implementation Team accordingly to ensure continued service delivery during system implementation and stabilization. When the Request for Proposal was developed, a total of 10.88 full-time equivalent (FTE) positions were identified to provide support for the

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[1] Exclusive of continued payment for Oracle Maintenance and Support for the HR/Payroll project components, currently budgeted at $422,000 per year.

implementation of the new systems. Based on a revised estimate of the City resources necessary for successful implementation, it is anticipated that 12.0 positions spread among the Human Resources, Finance, and Information Technology Departments and the City Manager's Budget Office will need to be backfilled. Following is a breakdown of backfilled staffing by department:

	# of FTE
Human Resources	
Analyst I/II	2.5
Finance Department	
Accountant I/II	1.0
Senior Accountant	1.0
Program Manager I	1.0
Budget Office	
Assistant to the City Manager	1.0
Analyst I/II	1.0
Senior Executive Analyst	1.0
Information Technology	
Information Systems Analyst	3.0
Supervising Applications Analyst	0.5
Total	**12.0**

The estimated cost to fund 12.0 FTE temporary positions in 2015-2016 is $1.54 million. With a staggered 14-month implementation period, it is anticipated that a small amount of funding for temporary staffing may also be necessary in 2016-2017.

An outside consultant or consulting firm will be retained to fulfill the role of the City's Program Manager for the entire project. In this role, the Consultant will be a key advisor to the Executive Steering Committee that will have the ultimate responsibility to deliver the project on schedule and on budget under the direction of the Executive Steering Committee. The consultant will be selected through a competitive Request for Qualifications process.

It is also anticipated that a project contingency will be required for a project of this magnitude to cover unanticipated changes in scope, or implementation delays that are attributable to the City.

4. FISCAL IMPACT/PROJECT FUNDING

The 2015-2016 Adopted Budget includes a total of $6.29 million for this project. The funding is broken into the following two appropriations: the Human Resources/Payroll System Reserve ($3,437,000) and the Operating/Capital Budget Systems Replacement Reserve ($2,850,000).

This amount is sufficient to fund an agreement with CherryRoad Technologies, Inc. for database and software licenses, professional services and hosting services for $4,479,890. The remaining funds will be used to cover staffing costs and project management. To fully fund project costs, City implementation costs, project manager and project/staffing contingency costs, an additional $882,000 in one-time funding is necessary. This request for funding will be brought forward as a part of the 2015-2016 Proposed Operating Budget.
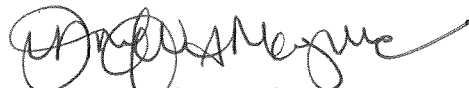
The ongoing costs for CherryRoad Technologies, Inc. to host and support the Budget and Talent Acquisition/Recruiting applications ranges from $599,000 to $626,000 annually over the first five years of operation. This is in addition to the $422,000 in non-personal/equipment funding currently budgeted annually to maintain the existing HR/Payroll system. These ongoing costs will continue to be included in the City's operating budget for maintenance and support. The total five year cost of ongoing maintenance and support to CherryRoad and Oracle is approximately $5.2 million. An amendment to the Oracle Agreement will be brought forward for Council review and approval concurrently with the approval of the Agreement with CherryRoad.

CEQA

Not a Project, File No. PP10-066 (a) Agreements and Contracts.

/s/
JULIA H. COOPER
Director of Finance

JENNIFER A. MAGUIRE
Interim Senior Deputy City Manager/
Budget Director

/s/
JOE ANGELO
Director of Human Resources

/s/
VIJAY SAMMETA
Chief Information Officer

For questions, please contact Mark Giovannetti, Deputy Director of Finance at (408) 535-7052.

Attachments:
Letter from Sierra-Cedar dated February 26, 2015
Letter from City of San Jose dated March 17, 2015

March 17, 2015

Mr. Brian Christenson
Vice-President
Sierra-Cedar
1255 Alderman Drive
Alpharetta, GA 30005

RE: Letter from Sierra-Cedar dated February 26, 2015 requesting that the City re-reconsider its decision to award a contract to CherryRoad for new or upgraded HCM and Budget applications.

Dear Mr. Christenson,

Your letter contends that your competitor, CherryRoad, made several misrepresentations in their proposal that are material in nature and as such the City should re-consider its decision to award to CherryRoad. Your letter further argues that even though your letter was submitted twelve days after the protest deadline, that the City's protest period is not applicable to your complaint.

Section 4.12.430 of the San Jose Municipal Code states that *"all protests must be filed in writing with the director within ten calendar days after sending the Notice of Intended Award"*. Your right to protest, the protest process, and the filing deadline was stated in Section 18 of the City's Request for Proposals ("RFP"). Given that your letter was received well after the protest deadline, Sierra-Cedar has waived its right to file a protest. Notwithstanding, I have carefully reviewed the concerns raised in your letter.

Your letter raises concerns that two staffing resources that were proposed by CherryRoad as part of their implementation team were represented as CherryRoad employees when they are in-fact employees of a firm called the Imminent Group, a CherryRoad subcontractor. The RFP requested that subcontractors, if used, should be clearly identified as subcontractors. In addition, CherryRoad provided an extensive client list in their proposal, and Sierra-Cedar contends that several of the firms listed were clients of the Imminent Group, and not CherryRoad. Sierra-Cedar concludes that these misrepresentations must be considered material facts, otherwise the City would not have included disclosure of subcontractors as a proposal requirement, and requests that the City re-consider its decision to award the contract to CherryRoad.

The City's RFP required information about key members of the proposers implementation team in order to evaluate the proposer's background and experience implementing large Human Capital Management ("HCM") and Budget applications. The City asked for proposers to distinguish between

employees and subcontractors because a contractor might be able to exercise slightly more control in establishing priorities and work assignments with their own employees versus a subcontractors.

In establishing if the mischaracterization of two members of the implementation team is material, I considered if the error was so significant to the decision to select CherryRoad as to warrant overturning that decision. The key information that was sought in the RFP and evaluated was the experience and qualifications of the implementation team. The qualifications and experience of the two individuals in question are not in dispute. These resources, as well as all key team members that were proposed by CherryRoad, will be named in the final agreement and contractually required to participate in their assigned roles, unless the City grants any requests for replacement personnel. I do not consider the issues raised in your the letter to be material because the evaluation team considered the experience and qualifications of the entire team.

Sierra-Cedar's claim that CherryRoad misrepresented their client list by listing Imminent Group Clients as their own clients is not entirely accurate. CherryRoad's proposal states that they work with *"Resources with a close association with Oracle"*. CherryRoad did not specifically state that they were the vendor for these clients as they did in other sections of their proposal. The City also verified that the two individuals working for the Imminent Group that will be assigned to the City's Hyperion implementation team were also key members of the implementation teams at the client sites in question.

While the City's Process Integrity Guidelines do not reference whether the mischaracterization was done intentionally or not, I believe it was important for the City to understand from CherryRoad how the error occurred. CherryRoad explained that when they prepare proposals, their proposal team takes individual resumes and biographies from key members of the project team, and enters specific information on a standard template so that the information is presented in a consistent format for each individual. One of the many qualifications they include is how long they have been an employee, which is presented on their template as "Employee for X years". For the two team members in question, their employment duration at their employer, the "Imminent Group" was listed leading one to conclude they were employees of CherryRoad.

After careful review, I have determined that the issues raised in your letter are not material for the reasons stated above, and do not warrant overturning the recommendation of award to CherryRoad.

Thank you for your interest and participation in this process. If you would like to discuss this matter further, please contact me at 408-535-7052.

Sincerely,

Mark Giovannetti
Deputy Director, Finance

Sierra-Cedar

February 26, 2015

Mr. Mark Giovannetti, Chief Purchasing Officer
City of San Jose
200 East Santa Clara Street, 14th Floor
San Jose, CA 95113

Mr. Giovannetti:

As you are aware, Sierra-Cedar, Inc. ("Sierra-Cedar") recently responded to RFP#13-14-16 (the "RFP") issued by the City of San Jose (the "City") and was not selected as the finalist. During the past week through various interactions between the City and Sierra-Cedar, a number of important pieces of information have come to our attention which cast a serious doubt over the appropriateness of the award of the contract to the successful respondent, CherryRoad. The purpose of this letter is to ensure that the City is aware of one particular area of concern that Sierra-Cedar has and to ask that the City reconsider its decision to award the contract to CherryRoad.

The RESPONDENT'S CODE OF CONDUCT contained within the City of San Jose Council Policy Number 0-35 entitled PROCUREMENT AND CONTRACT PROCESS INTEGRITY AND CONFLICT OF INTEREST (the "City Policy") requires all respondents to adhere to all sections of the City Policy, and in particular requires that "respondents may not...submit incorrect information in the response to a solicitation or misrepresent or fail to disclose material facts during the evaluation process". The Policy also states that "[a]ny evidence that indicates that a Respondent has failed to adhere with any section of this policy may result in the respondent's disqualification from the procurement as well as possible debarment." This concept was reiterated in section 20 – GROUNDS FOR DISQUALIFICATION of the RFP which set out that "[a]ny proposer who violates the Policy will be subject to disqualification. Generally, the grounds for disqualification include...Evidence of submitting incorrect information in the response to a solicitation or misrepresent or fail to disclose material facts during the evaluation process". Note that there is no reference as to whether the misrepresentation, failure or submission of incorrect information was done intentionally or not. Rather, the City Policy and the rules set out in the RFP state that if such a misrepresentation occurs, that is grounds for disqualification and possible debarment. Furthermore, since the City Policy governs behavior during the entire procurement and contracting process and allows for violations to be reported and investigated during that entire process, the Protest deadline specified in the RFP is not applicable to this complaint. Therefore, since the City is still in the midst of its procurement and contracting process, these violations should be investigated per the City Policy.

Following our review of CherryRoad's proposal to the RFP, we identified certain apparent violations of the City Policy and the Code of Conduct specifically. In particular, it is our belief that some of the information submitted by CherryRoad as part of their proposal is either false or can reasonably be construed as a misrepresentation which will mislead the City about material facts. In particular, we identified the following potential misrepresentations in CherryRoad's proposal:

1. Two resources, Punith Barla and Kannan Krishnan, are presented as CherryRoad employees and are not identified as subcontractors. Sierra-Cedar is familiar with both of these individuals and believes that they are employees or contractors of a company called The Imminent Group (www.theimminentgroup.com) and are not employees of CherryRoad.

   - Sierra-Cedar has had numerous interactions with Kannan Krishnan of The Imminent Group in the past. In fact, on May 5, 2014, we received an email from Mr. Krishnan using his "kannan.krishnan@theimminentgroup.com" email address informing us that The Imminent Group had a Teaming Agreement in place with another vendor to respond to the City of San Jose's RFP. We now assume that he was referring to a Teaming Agreement with CherryRoad.
   - In early 2014, Sierra-Cedar worked side-by-side on a Hyperion implementation for Douglas – Omaha Technology Commission with Punith Barla who was not being contracted through CherryRoad.
   - On October 27, 2014, Mr. Barla included this statement in an email that he sent to us, "*I am working through a firm called The Imminent Group (TIG).*"

The City specifically indicated in Section 2.3 of the RFP that they wanted to know who on a respondent's team was an employee as opposed to a subcontractor. Consequently, not clearly identifying at least two key resources as being subcontractors violates that provision of the RFP. Furthermore, we assume that such a disclosure must be considered a *material fact*, otherwise the City would not have included it as a requirement.

The specific instances of misrepresentation or submission of incorrect information in CherryRoad's proposal are as follows:

   - On page 96 of CherryRoad's response, they state that Punith Barla has been an employee of CherryRoad for one year. This is unlikely given the email which Sierra-Cedar received from Mr. Barla from seven months earlier stating that he is working for The Imminent Group.
   - On page 97 of CherryRoad's response, CherryRoad indicates that Kannan Krishnan has been an employee of CherryRoad for four years. This is similarly unlikely since Mr. Krishnan consistently represents himself as a principal with The Imminent Group and has done so as recently as 2014 in communications with Sierra-Cedar.
   - There does not appear to be any mention of The Imminent Group in the CherryRoad proposal.

2. Sierra-Cedar does not believe that CherryRoad was contracted to provide Hyperion Public Sector Planning and Budgeting implementation services for all of the clients identified on page 7 of CherryRoad's Cover Letter and page 26 of their Proposal. Instead, it is our belief that some or all of the clients listed below, and perhaps additional clients from the lists in the Proposal, are clients with whom Mr. Barla, Mr. Krishnan, or perhaps others at The Imminent Group have worked:

a. City of Corpus Christi, TX (listed as a client on page 7 of the Cover Letter)
b. San Mateo County Transit District (listed as a client on page 7 of the Cover Letter)
c. Chicago Park District (listed as a client on page 26 of the Proposal)
d. Greenville Utility Company (listed as a client on page 26 of the Proposal)
e. Douglas-Omaha Technology Commission (listed as a client on page 26 of the Proposal) - Please note that this implementation was actually delivered by resources from Sierra-Cedar and other companies, not including CherryRoad.
f. University of Florida (listed as a client on page 26 of the Proposal) – Mo'mix Solutions implemented Hyperion Public Sector Planning and Budgeting for the University
g. City of Albuquerque (listed as a client on page 26 of the Proposal) – Mo'mix Solutions implemented Hyperion Public Sector Planning and Budgeting for the City

Based on the above, it appears that CherryRoad has misrepresented facts or included incorrect facts in its proposal in violation of both the City Policy and the terms of the RFP, and that CherryRoad's proposal should therefore be disqualified.

We would be pleased to discuss this matter in more detail with you at any time, or to provide any further information as you may require.

Best Regards,

Brian Christenson

Vice-President

Sierra-Cedar, Inc.